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64th

Annual Report

Canadian Westinghouse Company Limited

1967

Board of Directors

J. D. CAMPBELL
W. J. CHEESMAN
A. T. LAMBERT
G. G. MAIN
B. MATTHEWS

A. K. McCORD
L. METHOT
W. P. PIGOTT
F. C. WALLACE
G. L. WILCOX

Executive Committee

J. D. CAMPBELL
W. J. CHEESMAN

G. G. MAIN
A. K. McCORD

G. L. WILCOX

Officers

J. D. CAMPBELL
Chairman of the Board

W. J. CHEESMAN
President

J. A. CAMPANARO
Vice President - Central Region

J. E. CRANSWICK
Vice President - Marketing

J. W. HENLEY
Vice President - Personnel

T. B. LOUNSBURY
Vice President - Construction Group

D. I. W. BRUCE
Secretary

W. C. LUTON
Vice President - Consumer Group

D. C. MARRS
Vice President - Administration

L. A. McCALPIN
Vice President

J. NEWELL
Vice President - Apparatus Group

E. E. ORLANDO
Vice President - Eastern Region

S. H. THURGAR
Vice President - Air Brake Group

T. E. ROBERTSON
Treasurer

December 31, 1967

CANADIAN WESTINGHOUSE COMPANY LIMITED
HAMILTON, ONTARIO, CANADA

SIXTY-FOURTH ANNUAL REPORT

1967

To the Shareholders:

Net sales billed of \$197 million were five per cent less than in 1966. Shipments were lower because of a six-week strike at the Company's three Hamilton plants and a lessening in market demand for a number of product lines.

Income from operations of \$4.0 million was \$5.7 million less than the \$9.7 million earned in 1966. The decline in earnings was due to the direct loss during the strike and because the substantial increase in wages and benefits arising from the strike settlement has temporarily outpaced productivity improvement. After other income, interest expense and income taxes, the net profit for the year was \$1,814,990 (70¢ per share), as compared to \$4,635,746 (\$1.79 per share) in 1966.

In 1967 the Company adopted an improved method of tax accounting with respect to the provision for guarantees and warranties. This tax allocation method resulted in a reduction in 1967 reported net profit of \$224,000, and an addition of \$1,713,000 to retained earnings with respect to prior years. Dividends paid during the year amounted to \$1,296,813 (50¢ per share). The net book value per share at December 31, 1967, was \$24.40.

OPERATIONS

After several years of exceptionally strong growth, activity in the electrical manufacturing industry levelled off early in 1967 and experienced a slight downward

trend during the remainder of the year. This was the general pattern throughout the industry and was the result primarily of a slowdown in capital investment. Total industry shipments exceeded \$2 billion, but were at a level relatively unchanged from the previous year.

The outlook for capital investment is for a continuation of the level trend which has persisted during the past year. This situation, coupled with increased competitive pressures arising from the devaluation of sterling, the effects of lower tariffs and changes in the anti-dumping code resulting from the Kennedy Round, will likely have a dampening effect on the electrical manufacturing industry in 1968, particularly on heavy electrical equipment. Anticipated strength in consumer spending, housing, and institutional building, indicates a stronger outlook for the consumer and construction segments of the industry. Overall industry prospects for 1968 suggest a level of activity about the same as that of the past two years.

Apparatus Products—Due to a general decline in market activity and increased competitive pressures from abroad, shipments and new orders were lower in most apparatus divisions. Significant events during the year included the introduction of a new industrial control starter line, the development of special motors to meet the rugged conditions in the potash mining industry in Western Canada, and the shipment of the country's largest mobile gas turbine. In addition, a mobile inspection and test service centre was inaugurated in Montreal. This is the second such

mobile service centre to be put into operation by the Apparatus Service division, and it follows the highly successful introduction of a similar unit in the Toronto-Hamilton area.

Construction Products—Although shipments were affected by a lower level of construction activity and by work stoppages in the building trades, bookings remained strong. Outstanding orders for the construction divisions included the electrical equipment for the University of Toronto Medical Science and Research complex, Mohawk College in Hamilton, and the second tower of the Toronto-Dominion Centre. Product innovations included the development of mine power centres for the potash industry, the conversion from copper to aluminum in certain transformer designs, new extended life fluorescent lamps, and a newly designed inset runway light which has already been installed at Toronto International airport.

Consumer Products—This market, while relatively unchanged from the previous year, has been experiencing a rising trend since mid-1967, a situation which has been reflected in the consumer products divisions. The Company improved its competitive position during the year by introducing a number of product developments; these included a range which automatically cleans the oven, and a 16 cubic foot refrigerator housed in the same size cabinet which previously accommodated only 14 cubic feet of storage capacity. New models were also added to the low-saturation, high growth-potential lines of colour television, dishwashers and room air conditioners. As the result of a continual expansion in facilities, the "blue truck" factory service is now available to about 80 per cent of Canadian wired homes.

Electronics—During 1967, bookings of electronic equipment reached a high level, and shipments were well above those in 1966. Increased emphasis was placed on the development of new commercial products to supplement the Company's business in defence systems. A Solid State Devices department was formed to coordi-

nate the manufacturing and sales of integrated circuits and electroluminescent devices. The Computer Systems department, originally established as a sales organization, will be expanded to include engineering and manufacturing activities. Development work has also been carried out on stabilized camera systems.

Atomic Power—The Atomic Energy department in Hamilton and the Atomic Fuel department in Port Hope have been formed into the Atomic Power division in order to strengthen Company capability in the field of nuclear power generation. Activity in the design and manufacture of reactor components and fuel production continued at a high level in 1967. In addition, zircaloy calandria tube production was commenced at the Port Hope plant.

Air Brake—Production facilities were completed for the new "unitized" brake which centralizes all locomotive brake equipment into one package, thus permitting rapid replacement during maintenance. New facilities were also added to undertake the manufacture of WABCO-PAC freight brake equipment. Complete hydraulic power systems were added to the "fluid power" line, and new product developments in industrial braking equipment have broadened the marketing scope of this line to include the paper, rubber, steel and marine industries.

Research and Development—New facilities were added to permit analytical research on the insulating liquids so essential to the efficient performance of high voltage transformers. Development programs for alloys and special components have increased the Company's atomic power reactor capabilities, and research in evaluating electrical insulation systems has led to the development of a high temperature cellulose material now being produced by a Canadian paper manufacturer.

Exports—Exports in 1967 were higher than the previous year, with notable increases in shipments to the United States and Australia. During the year, a wide

range of product lines was exported to 69 different countries. Shipments included power transformers to Australia, switch-gear to India, diesel generators to Pakistan, laundry equipment to Venezuela, and refrigerators to the United Kingdom and Jamaica.

EMPLOYEE RELATIONS

There was a general interruption of 31 working days in the Hamilton plants due to a strike of production employees; the settlement was within the general industrial pattern and covered a three year period. During the year, seven other collective agreements were concluded, and the United Electrical, Radio and Machine Workers of America, local 555, was certified as bargaining agent for approximately 800 office and clerical employees in Hamilton.

There were 9,956 employees at the end of 1967, a decrease of 887 from the previous year. During the year, 945 employees received service awards and, of these, 16 had completed 35 years with the Company. One hundred and twenty-nine retirements brought the number of pensioners to 793 by year end.

Employee contributions to the Company, Canada and Quebec Pension Plans amounted to \$1,645,000, while the Company's contribution to these same Plans totalled \$2,762,000. Benefits, other than pensions, received by employees and dependents, amounted to \$2,426,000.

The year 1967 marked the 25th anniversary of the Company's Suggestion Plan. New records were established with 4,071 suggestions submitted and \$48,069 paid in awards. During the first quarter century of the Plan's existence, over 40 per cent of all suggestions were accepted for awards totalling \$675,000.

GENERAL

Since there were no major plant expansions, capital expenditures of \$3.5 million

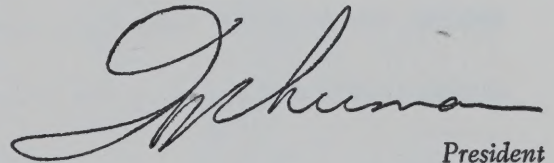
were considerably lower than for the past several years. However, expenditures were made on a 72,000 square foot lamp warehouse at Trois Rivières, a new Apparatus Service Shop at Saskatoon, and the commencement of an extension to the Switch-gear and Control division in Hamilton. Other expenditures were primarily for new equipment and the upgrading of machine tools.

At a meeting of the Board held on February 6, 1968, your directors acceded with regret to Mr. John D. Campbell's request to retire as Chairman of the Board and Chief Executive Officer. They here wish to express their deep appreciation to Mr. Campbell for his more than 33 years of faithful service, seven of which were spent as the chief executive officer of the Company. At the same meeting, the Board elected Mr. W. J. Cheesman, Chief Executive Officer; Mr. D. C. Marrs was elected a Director and Executive Vice President-Administration and Finance.

Other principal changes in officers were the elections of Messrs. T. B. Lounsbury and W. C. Luton as Vice Presidents on November 7, 1967, and Messrs. D. I. W. Bruce and T. E. Robertson on February 6, 1968.

The directors extend their appreciation to the employees for their efforts in meeting the challenges of the past year.

By order of the Board,



President

Hamilton, Ontario
February 6, 1968

CANADIAN WESTINGHOUSE
(Incorporated in Canada)

CONSOLIDATED BALANCE SHEET
(WITH COMPARATIVE FIGURES)

ASSETS

	<u>1967</u>	<u>1966</u>
CURRENT ASSETS:		
Cash	\$ 325,940	\$ 141,175
Accounts receivable	38,118,569	39,700,504
Inventories valued at the lower of cost and realizable value (less progress billings thereon \$7,651,156 in 1967; \$6,261,045 in 1966)	43,320,867	47,038,188
Prepaid expenses	979,710	937,735
	<hr/>	<hr/>
Total current assets	82,745,086	87,817,602
 FIXED ASSETS:		
Land, buildings and equipment — at cost	72,769,751	70,378,156
Less accumulated depreciation	41,828,821	39,310,069
	<hr/>	<hr/>
	30,940,930	31,068,087
 SPECIAL REFUNDABLE TAX	 314,200	 251,000
 OTHER ASSETS — at cost	 1,665,543	 1,666,075
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	\$ 115,665,759	\$ 120,802,764
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On behalf of the Board:

W. J. CHEESMAN, *Director*

D. C. MARRS, *Director*

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Interim Statement

for the six months ended

JUNE 30, 1967

Canadian Westinghouse Company Limited

Hamilton, Ontario, Canada



CANADIAN WESTINGHOUSE COMPANY LIMITED
INTERIM STATEMENT OF CONSOLIDATED INCOME
 (UNAUDITED)

FOR SIX MONTHS ENDED JUNE 30, 1967
 (with comparative figures for 1966)

	1967	1966
Sales	\$91,797,506	\$98,365,919
Income or (loss) before income taxes	\$ (473,590)	\$ 4,181,378
Income taxes payable or (recoverable) (See note)	(510,000)	2,007,061
Net income for six months	\$ 36,410	\$ 2,174,317
Earnings per share	\$.01	\$.84

Note: The operations for the six months ended June 30, 1967 included income from a subsidiary company exempt under the "tax-holiday" provisions and a reduction in tax-paid provisions totalling \$519,000 (\$365,000 in 1966).

INTERIM STATEMENT OF CONSOLIDATED
SOURCE AND APPLICATION OF FUNDS
 (UNAUDITED)

FOR SIX MONTHS ENDED JUNE 30, 1967
 (with comparative figures for 1966)

	1967	1966
FUNDS OBTAINED FROM:		
Operations —		
Net income for six months	\$ 36,410	\$ 2,174,317
Charges not requiring cash outlays:		
Depreciation	1,744,677	1,485,110
Taxes deferred to future years arising from additional capital cost allowances	60,000	844,000
Total funds from operations	\$ 1,841,087	\$ 4,503,427
Proceeds from shares issued	111,100	159,710
	\$ 1,952,187	\$ 4,663,137

FUNDS USED FOR:		
New facilities and equipment (net)	\$ 1,504,236	\$ 2,679,066
Debenture instalment due within one year paid or provided for	860,000	853,000
Dividends to shareholders	647,443	642,768
Increase in special refundable income taxes	74,704	50,103
Increase or (decrease) in other assets	53,616	(737,476)
	\$ 3,139,999	\$ 3,487,461

INCREASE OR (DECREASE) IN WORKING CAPITAL	\$ (1,187,812)	\$ 1,175,676
WORKING CAPITAL AT BEGINNING OF YEAR	42,372,458	40,839,821
WORKING CAPITAL AT JUNE 30	\$41,184,646	\$42,015,497

To the Shareholders:

The results of the first six months were adversely affected by a decrease of \$6.6 million in shipments due in part to a lessening in the demand for many product lines but mainly due to a strike at the Company's three Hamilton plants. The strike, which began May 9th and continued until June 22nd, virtually stopped production of heavy electrical apparatus, gas and steam turbines, electronic apparatus and tubes, major appliances and air brake equipment.

Government fiscal and monetary policies have restrained the rapid growth experienced during the past several years, particularly by the postponement of some capital expenditures by industrial and commercial customers. However, since the strike, output has been restored to pre-strike levels and our backlog of orders in total is higher than it was at mid-1966. These factors presage a measure of recovery in the second half but the lack of profits in the first six months will not be regained in 1967.

By order of the Board

President

Hamilton, Ontario
 August 1, 1967

SE COMPANY LIMITED
(Incorporated in the laws of Canada)

AS AT DECEMBER 31, 1967

(FIGURES FOR 1966)

LIABILITIES

	<u>1967</u>	<u>1966</u>
CURRENT LIABILITIES:		
Bank indebtedness	\$ 17,448,364	\$ 16,818,684
Accounts payable and accrued charges	19,163,031	22,689,322
Income and other taxes payable	2,048,017	5,937,138
	<hr/>	<hr/>
Total current liabilities	38,659,412	45,445,144
DEFERRED INCOME TAXES (note 1)	5,675,000	5,520,000
FUNDED DEBT (note 2):		
4½% sinking fund debentures due March 15, 1969 —		
Issued less redeemed	7,949,000	8,820,000
SHAREHOLDERS' EQUITY:		
Capital stock (note 3) —		
Authorized — 3,600,000 shares of no par value		
Issued — 2,597,973 shares	13,945,223	13,811,678
Retained earnings	49,437,119	47,205,942
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	63,382,347	61,017,620
	<hr/>	<hr/>
	\$ 115,665,759	\$ 120,802,764
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CANADIAN WESTINGHOUSE COMPANY LIMITED

Consolidated Statement of Income and Retained Earnings

FOR YEAR ENDED DECEMBER 31, 1967

(WITH COMPARATIVE FIGURES FOR 1966)

	<u>1 9 6 7</u>	<u>1 9 6 6</u>
<u>Income</u>		
Sales	\$ 197,204,018	\$ 207,953,579
Operating costs and expenses (including depreciation of \$3,605,978 in 1967 and \$3,243,760 in 1966)	193,208,538	198,204,575
Income from operations	3,995,480	9,749,004
Other income:		
Profit on disposal of fixed assets	74,782	112,321
Investment income	37,648	109,493
Discount on debentures purchased for redemption	28,234	25,970
	4,136,144	9,996,788
Interest:		
Debentures	396,075	435,305
Bank and other short-term indebtedness	1,102,079	925,737
	1,498,154	1,361,042
Income before income taxes	2,637,990	8,635,746
Income taxes (notes 1 and 4)	823,000	4,000,000
Net income for year	\$ 1,814,990	\$ 4,635,746

Retained Earnings

Balance at beginning of year	\$ 47,205,942	\$ 43,858,358
Prepaid income taxes arising from accumulated provisions for guarantees and warranties (note 4)	1,713,000	
Net income for year	1,814,990	4,635,746
	50,733,932	48,494,104
Dividends declared (50¢ per share)	1,296,813	1,288,162
Balance at end of year	\$ 49,437,119	\$ 47,205,942

CANADIAN WESTINGHOUSE COMPANY LIMITED

Consolidated Statement of Changes in Cash Position

FOR YEAR ENDED DECEMBER 31, 1967

(WITH COMPARATIVE FIGURES FOR 1966)

	1 9 6 7		1 9 6 6	
FUNDS OBTAINED FROM:				
Operations —				
Net income for year	1,814,990		4,635,746	
Deductions from income not affecting cash position:				
Depreciation	3,605,978		3,243,760	
Deferred income taxes	155,000	\$ 5,575,968	1,239,000	\$ 9,118,506
Proceeds from shares issued		133,550		193,810
Reduction of other assets		532		826,265
		5,710,050		10,138,581
FUNDS USED FOR:				
New facilities and equipment (net)		3,478,821		6,213,782
Purchase of debentures for cancellation		871,000		853,000
Special refundable tax		63,200		251,000
Dividends to shareholders		1,296,813		1,288,162
Increases or (decreases) in —				
Accounts receivable	(1,581,935)		3,385,756	
Inventories less progress billings	(3,717,321)		6,201,929	
Prepaid expenses	41,975		41,007	
	(5,257,281)		9,628,692	
Accounts and taxes payable (excluding deduction of prepaid income taxes \$1,713,000, not affecting cash position (note 4)	(5,702,412)	445,131	2,921,977	6,706,715
		6,154,965		15,312,659
REDUCTION IN CASH POSITION		\$ 444,915		\$ 5,174,078

CANADIAN WESTINGHOUSE COMPANY LIMITED

Notes To Consolidated Financial Statements

December 31, 1967

(1) INCOME TAXES —

As a result of claiming capital cost allowances for tax purposes in excess of recorded depreciation, income taxes payable will be less than the current year's provision by \$155,000 (\$1,239,000 in 1966), and accordingly this amount is included in the balance sheet under the item "Deferred income taxes".

(2) FUNDED DEBT —

The 4½% sinking fund debentures require annual sinking fund payments of \$860,000. The 1968 instalment was provided for before December 31, 1967.

(3) CAPITAL STOCK —

During the year 15,200 shares were issued for cash, \$133,550, under options granted to certain employees.

At December 31, 1967 there remained outstanding options to officers to purchase an aggregate of 2,000 shares at \$13.25 per share, expiring at February 1, 1970.

(4) CHANGE IN METHOD OF ACCOUNTING —

Prior to 1967 the company followed the practice of making provisions for possible future claims under guarantees and warranties which, under existing income tax law, are not deductible from taxable income until the liability has been incurred. Under this method, no corresponding reduction in the provision for income taxes was recorded in the accounts.

Beginning in 1967, the company has adopted the "income tax allocation" method with respect to the provision for guarantees and warranties. The effect of this change is to increase the income tax provision and reduce the reported net income for 1967 by approximately \$224,000. Had this change been instituted at the beginning of 1966, the effect on the income of that year would have been relatively insignificant.

In the attached financial statements the amount of the prepaid income taxes arising from the accumulated provisions for guarantees and warranties at January 1, 1967, \$1,713,000, has been added to retained earnings and deducted from income and other taxes payable.

(5) PENSION COSTS —

The total unfunded past service pension liability at December 31, 1967, including the liability arising from amendments effective January 1, 1968, is estimated at \$23 million. This amount will be amortized over future years up to 1989.

(6) STATUTORY INFORMATION —

Expenses for 1967 include remuneration received by directors as directors, officers and employees, \$139,862.

Auditors' Report

TO THE SHAREHOLDERS OF
CANADIAN WESTINGHOUSE COMPANY LIMITED:

We have examined the consolidated balance sheet of Canadian Westinghouse Company Limited and its wholly-owned subsidiaries as at December 31, 1967 and the consolidated statements of income and retained earnings and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and changes in their cash position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in basis of providing for income taxes (as explained in note 4), with which we concur.

CLARKSON, GORDON & CO.
Chartered Accountants.

Hamilton, Canada,
January 18, 1968.

HEAD OFFICE

HAMILTON, ONTARIO

PLANTS

TROIS RIVIERES, QUE.	ETOBICOKE, ONT.	BRANTFORD, ONT.
GRANBY, QUE.	GRIMSBY, ONT.	GALT, ONT.
SAINT-JEAN, QUE.	HAMILTON, ONT.	LONDON, ONT.
PORT HOPE, ONT.		VANCOUVER, B.C.

SALES OFFICES

HALIFAX, N.S.	TORONTO, ONT.	REGINA, SASK.
MONCTON, N.B.	HAMILTON, ONT.	SASKATOON, SASK.
SEPT-ILES, QUE.	LONDON, ONT.	CALGARY, ALTA.
CHICOUTIMI, QUE.	WINDSOR, ONT.	EDMONTON, ALTA.
QUEBEC CITY, QUE.	FORT WILLIAM, ONT.	TRAIL, B.C.
MONTREAL, QUE.	WINNIPEG, MAN.	VANCOUVER, B.C.
OTTAWA, ONT.		VICTORIA, B.C.

APPARATUS SERVICE CENTRES

HALIFAX, N.S.	TORONTO, ONT.	CALGARY, ALTA.
MONCTON, N.B.	HAMILTON, ONT.	EDMONTON, ALTA.
SEPT-ILES, QUE.	SWASTIKA, ONT.	VANCOUVER, B.C.
MONTREAL, QUE.	WINNIPEG, MAN.	NANAIMO, B.C.
	SASKATOON, SASK.	

CONSUMER PRODUCTS FACTORY SERVICE CENTRES

ST. JOHN'S, NFLD.	MONTREAL, QUE.	LONDON, ONT.
HALIFAX, N.S.	SAINT-JEAN, QUE.	WINDSOR, ONT.
CHICOUTIMI, QUE.	VALLEYFIELD, QUE.	FORT WILLIAM, ONT.
QUEBEC CITY, QUE.	OTTAWA, ONT.	WINNIPEG, MAN.
SHERBROOKE, QUE.	TORONTO, ONT.	REGINA, SASK.
TROIS RIVIERES, QUE.	ST. CATHARINES, ONT.	CALGARY, ALTA.
DRUMMONDVILLE, QUE.	HAMILTON, ONT.	EDMONTON, ALTA.
GRANBY, QUE.	KITCHENER, ONT.	VANCOUVER, B.C.

